Economic policy of RBI

†1407. SHRI JANESHWAR MISHRA: Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

(a) whether it is a fact that the economic policy which is declared by the RBI twice in a year has become a ritual to bring down interest rate;

(b) whether it is also a fact that no positive effect is made on the market by these policies; and

(c) whether it is also a fact that the economy is becoming more recession-oriented inspite of all efforts being made by Government?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE AND COMPANY AFFAIRS (SHRI ANANDRAO VITHOBA ADSUL): (a) to (c) No, Sir. The Annual Monetary and Credit Policy Statements as well as Mid-Term Reviews of Monetary and Credit Policy of Reserve Bank of India (RBI) contain several structural measures to improve the efficiency of financial system apart from monetary policy measures and signals for soft interest rate regime.

The annual statements and mid-year reviews have imparted greater transparency in the conduct of monetary policy and provide information to the financial sector and public about stance of monetary policy and an assessment of overall macro-economic situation. Initiatives of RBI towards a soft interest rate regime in an environment of low inflation and easy liquidity have led to decline in interest rates in the financial market across various maturities and instruments. Non-food credit in the current financial year (up to November 1, 2002) recorded an increase of 16.6 per cent as compared to 5.2 per cent in the corresponding period last year.

There are signs of revival in the industrial sector. The Index of Industrial Production in the first half of the current financial year registered a growth of 5.2 per cent as compared to 2.4 per cent in the corresponding period last year. RBI in its Mid-Term Review of Monetary and Credit Policy for 2002-03, released on October 29, 2002 has indicated that the overall real Gross Domestic Product (GDP) growth for 2002-03 is likely to be in the range of 5.0 to 5.5 per cent despite a shortfall in rainfall.

†Original notice of the question was received in Hindi.